

As competition evolves within Connecticut, the state legislature recognized that telecommunications service providers may not initially deploy new services and enter new markets on a statewide, ubiquitous basis. The Connecticut DPUC has declared that it cannot permit market segmentation and technology rationing techniques often associated with competitive strategy to limit either the availability of or the accessibility to services to a fortunate few.²³ In recognition of a providers potential desire to limit deployment, the DPUC has identified eleven areas in Connecticut where common labor markets and commuting patterns exist based upon "Labor Market Areas" (LMAs).²⁴ The DPUC does not accept applications to serve less than an entire LMA. In addition, these eleven groupings have been split into two classifications based upon density characteristics. The DPUC requires that a telecommunications provider must serve the entire certified areas (one from each classification) within three years from certification. The DPUC continues "it is the Department's belief that by imposing these threshold service obligations on all certified providers, the general public of Connecticut will derive the benefits of broader competition irrespective of their geographic proximity to the major market centers of Connecticut."²⁵

While the Commission may ultimately define rules very different than those used in Connecticut, it should allow LECs, as an option, to adopt state requirements for

²³ DPUC Decision, Docket No 94-07-03, released March 15, 1995, page 8.

²⁴ These areas, defined jointly by the United States Office of Management and Budget and the Census Bureau, identify the ten areas in Connecticut where common labor markets and commuting patterns exist. The DPUC has modified the areas identified by OMB and the Census Bureau to provide service areas of reasonable size.

²⁵ Docket No. 94-07-03, Decision, released March 15, 1995.

interstate services. The administrative advantages of such an option would benefit LECs and customers alike.

V. Nondominant Treatment

SNET concurs with USTA that a LEC demonstrating that customers representing 50% of its interstate access services demand within the relevant market area have an alternative provider available to them, should be deemed to be nondominant. In the alternative, compliance with state criteria for opening local markets to competition would also be sufficient for nondominant treatment.

A. The Commission Should Define the Conditions That LECs Must Meet to Be Considered Nondominant Now.

The Commission should not delay in adopting rules that allow LECs to be treated as nondominant carriers. Today's telecommunications market is vastly different than it was when the Commission first fashioned the existing dominant carrier rules. As the Commission correctly notes, "[a]fter more than a decade of experience with this approach for determining market power, and with the advent of emerging competition in the interexchange access market, we believe a less encompassing definition of market power for LECs may be appropriate."²⁶

Today's market is characterized by a multiplicity of providers utilizing a wide variety of technologies to provide an ever expanding array of services. In the face of these structural changes in the market, the continued ability of LECs to maintain market

²⁶ LEC Pricing Flexibility NPRM, para. 153.

power for their traditional geographic and product markets is rapidly diminishing. In Connecticut for example, the legislature has adopted legislation that encourages and fosters a fully competitive telecommunications marketplace.²⁷ The DPUC, in implementing this legislation, has reformed its rules and regulations to reflect the procompetitive intent of the legislature. As previously discussed, the result of these changes has been to attract numerous new competitors to Connecticut, including nontraditional providers such as cable companies. All of these new providers are presently subject to streamlined regulation at the federal level. Given the significant resources of these national and multinational companies bring to the marketplace, SNET cannot realistically be viewed as exerting market power in all of its traditional markets.

The Commission needs to be cognizant of the significant changes taking place at the local level in such places as Connecticut, and should recognize the implications that these changes have on the ability of LECs to exert market power in the interexchange and access markets. Now is the appropriate time for the Commission to define the conditions required for nondominant status. Delaying this analysis can only serve to delay competition for access services and deny consumers the benefits that result from streamlined regulation.²⁸

²⁷ Public Act 94-83, Connecticut General Statute, Section 16-247.

²⁸ Filing Requirements for Nondominant Common Carriers, CC Docket No. 93-36, Memorandum Opinion and Order, 8 FCC Rcd 6752, 6761 (1993).

B. Reasonable Conditions Should Be Set Now For LECs To Demonstrate Nondominance.

The conditions that a LEC must meet in order to attain nondominant status must strike a balance between allowing LECs sufficient pricing flexibility to be viable competitors and allowing LEC competitors a reasonable opportunity to compete with the LEC at all levels. While much has been said with regard to whether addressability or market share should be the appropriate measure, the real question is whether end users have real choice as to their providers. The *sign non quo* of competition is that customers have a choice of providers upon terms and conditions that make that choice a real one.

USTA's proposal for allowing nondominant treatment based on the relevant exchange carrier access markets is a good starting point, and SNET supports USTA's approach. SNET proposes, however, that the Commission should go farther and allow nondominant treatment for any service and in any area geographic area that has been declared competitive by a state regulatory body. The Commission should recognize that a determination by a state regulatory body is *prima facie* evidence of competition and should allow LECs to be considered nondominant pursuant to such a state determination.

SNET proposes six criteria for allowing streamlined regulation of LEC services as follow:

- (1) Unbundling of loops, local transport and local switching;
- (2) Access to 911, directory assistance, operator services, and white page listings;
- (3) Number portability;
- (4) Mutual compensation;

(5) Local dialing parity; and

(6) Interconnection.

Any LEC that can demonstrate that the above criteria have been met should, as a minimum, be subject to streamlined regulation of its services. Once the six criteria have been implemented, no reasonable argument exists that the LEC continues to maintain bottleneck control of access to end users.

In addition to the six requirements above, the Commission's determination that a service is competitive and merits nondominant treatment should properly consider whether the service is an existing or new service, the number of competitive providers for the service, whether substitutable services exist, the customer's ability to access the alternative provider(s), the geographic area served and the service price levels. The Commission should not use market share as a surrogate for competition. Such a single dimensional view of competition can be extremely harmful to geographically concentrated LECs such as SNET. The view that a LEC must "bleed" before it can achieve sufficient pricing flexibility to be a viable competitor is a cynical view that attempts to allocate the market rather than allow customers to choose.

Even having defined the conditions that would allow a LEC to be treated as a nondominant carrier, the Commission must maintain a flexible approach to the application of those conditions in order to recognize the unique circumstances of individual LECs.

C. The Commission Should Allow Nondominant Treatment of LECs for On a Service by Service Basis and in Selected Geographic Areas Where the Competitive Conditions Are Met.

The Commission's current rule that classifies a carrier as dominant or nondominant in the domestic market as a whole is overly broad in today's evolving marketplace. While such a rule made sense at the time of divestiture when telecommunications was a virtual monopoly, the structure of the industry has radically altered since that time. Numerous competitors, many national in scope offering a broad array of services, and others local in character offering more targeted services, have prospered in today's competitive environment. Connecticut, as have other states, has, through legislation, encouraged this new competitive climate, and, the "monopoly environment" of the eighties and early nineties is no longer a reality.

Given the wide variety and sheer number of telecommunication providers that exist today, there is certainly sufficient justification for the Commission to adopt service and geographic specific rules for nondominance. Connecticut now allows both full resale and full facilities based competition for local exchange service. All the of major interexchange carriers, numerous special telecommunications providers, CAPs, cable companies and others are expected to be providing local services in conjunction with other communications and video offerings in the near future.

This plethora of providers will offer real choice to Connecticut consumers and marks a milestone for competition in Connecticut. Given the resources and capabilities

of the competitors and the real ability of consumers to select their service provider, dominant status for companies such as SNET must fall.

The existence of viable competitors that have the ability to provide equivalent LEC services to end users in either selected parts or all of the LEC franchised area should be a sufficient showing for nondominance. Specific criteria that argue for elimination of dominant status for LECs include: (1) viable competitors with the ability to provide service to end users; and (2) end user choice of service provider. Viable competitors exist if they have the resources and ability to provide end user services. The ability to serve end users initially requires that the LEC provide interconnection, number portability, mutual compensation, and unbundled access to local loops. While resale of local exchange service should not be mandatory to achieve nondominant status, it should be strong evidence that competition exists since it permits a non-facilities based provider the immediate ability to package the provision of local services with its other service offerings.

A LEC that meets the above criteria should be considered nondominant with regard to both the services offered by other providers and the geographic area served by those providers. The geographic area served need not coincide with traditional exchange boundaries. The Commission should allow LECs to show that other areas are appropriate including competitive areas designated by state commissions. A state's determination of geographic areas for competition should be sufficient for the commission to accept a similar area for interstate purposes.

LECs found to be nondominant as to a service or nondominant as to all services within a specified geographic area, should be subject to streamlined regulation. Thus, such nondominant LECs would be able to file tariffs for effect on one day's notice, would be presumed lawful and would not be required to file cost support. Further, services for which the LEC is found nondominant should be removed from price caps. Since the purpose of price cap regulation was to provide a substitute for a fully competitive environment, a service found fully competitive should not be regulated under the price cap regime.

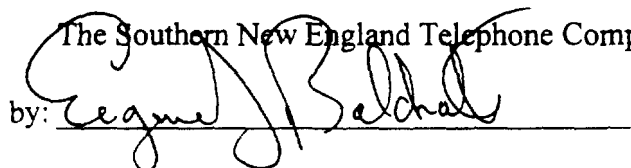
VI. Conclusion

In these comments SNET urges the Commission to expedite price cap rule changes to relax unnecessary pricing restrictions imposed on price cap LECs in the current rules. Secondly, SNET proposes that LECs should be subject to a streamline form of regulation coincident with the presence of alternative providers for comparable services. Third, SNET recommends that the Commission include in its rule revisions, a mechanism that will allow LECs non-dominant status when there is evidence that substitutable services are readily available from sources other than the LECs.

Competition for LECs' services from alternative providers exists today in Connecticut. Alternative providers are not encumbered by artificial pricing rules and regulations and the imposition of rules that shackle the LECs in this competitive environment necessitates immediate response and relief from the Commission.

SNET urges the Commission to expedite rule changes that relax pricing restrictions currently imposed on price cap LECs. The consumers of telecommunications services can only benefit from reduced and relaxed regulations as the competitive market forces will move prices towards costs and encourage efficient investment in infrastructure.

Respectfully submitted,

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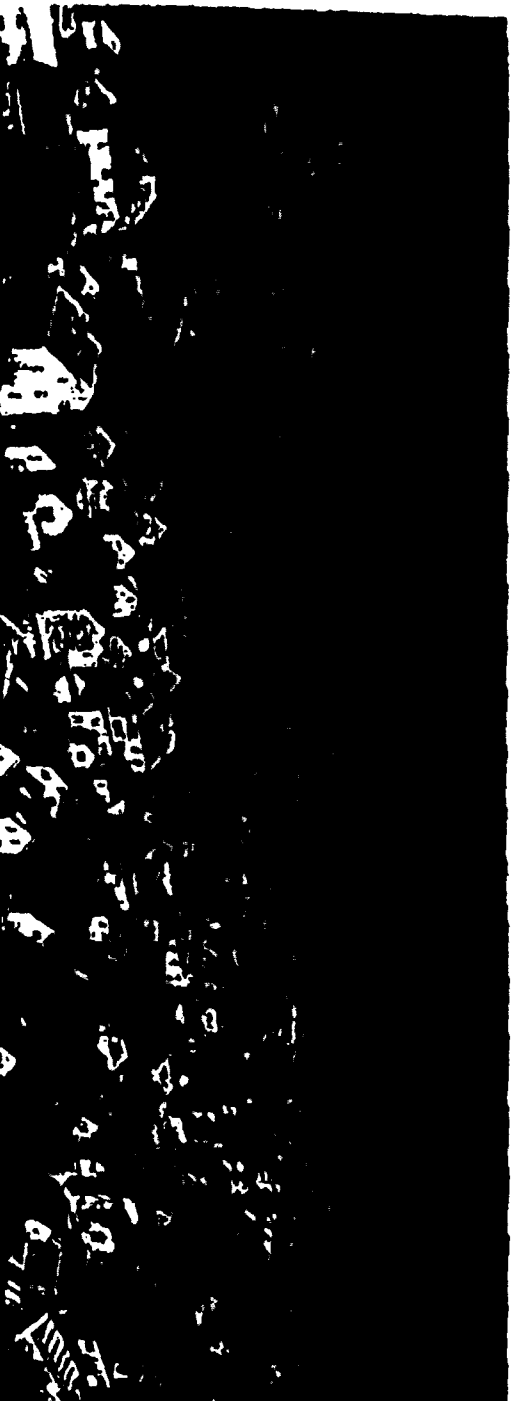
Exhibit 2

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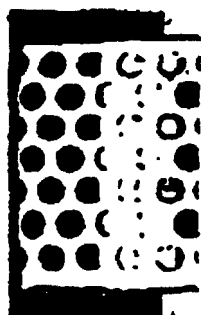
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Exhibit 3



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1 Min. & 10 Sec.
Actual Time

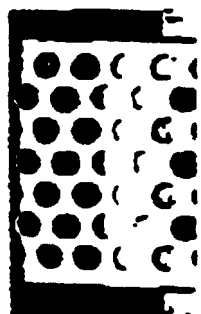
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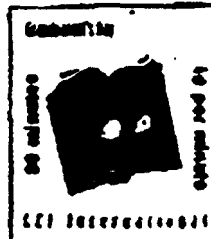
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